Does Going Green Cost You Returns?

The honest, fact-checked answer to the objection every viewer will throw at you.

The short answer

On the weight of the evidence, **no — there is no systematic return penalty for going green.** The effect is roughly neutral over the long run and varies by period. But honesty matters here, because there are years fossil fuels win, and pretending otherwise gets you fact-checked.

What the big evidence says

- **NYU Stern (2021) reviewed 1,000+ studies** and found the majority showed a positive or neutral relationship between ESG and financial performance; for investors specifically, results were comparable or better.
- **Friede, Busch & Bassen (2015) aggregated ~2,000 studies** — around 90% found a non-negative relationship between ESG and corporate financial performance.
- **Fossil-free indices broadly track their parent indices** with small tracking error — which is exactly why they exist. Over a 2020 window, an S&P 500 fossil-fuel-free fund returned 1.99% vs 0.83% for the standard index; by 2024 the picture was mixed (some ahead, some slightly behind).

The honest counter-evidence

- **2022 was brutal for green funds.** After Russia invaded Ukraine, energy stocks soared and the average ESG fund underperformed energy by roughly 66 percentage points. Some sustainable funds fell ~20%+.
- **Individual stocks diverge wildly.** Over 2015–2025, ExxonMobil returned about +33% while BP lost ~24% — fossil exposure is neither uniformly good nor bad.
- **Concentrated deep-green funds are volatile.** Baillie Gifford Positive Change fell about 30% in 2022. Broader ‘credible’ green funds (e.g. Royal London Sustainable) are steadier — which is why ‘credible-first’ is the sensible play.

What this means for you

Going green needn’t cost you returns, but it isn’t a free lunch every year. The sensible posture: choose a **credible, diversified** green fund rather than a concentrated bet; expect performance broadly in line with the market; and judge it over years, not months. The ‘you’ll lose money’ claim isn’t supported by the long-run data — but ‘you’ll never have a bad year’ isn’t either.

General information, not financial advice; past performance does not predict future results. Sources: NYU Stern ESG & Financial Performance review (2021); Friede, Busch & Bassen (2015); S&P DJI fossil-free index data; Morningstar; GS SUSTAIN / Boston Common (2022). Named funds are illustrations, not recommendations.